CANADIAN METALS INC.

Condensed Interim Financial Statements

(Unaudited and unreviewed by the Company's Independent Auditors)

Three-month and nine-month periods ended April 30, 2018 and 2017

CANADIAN METALS INC.
Condensed Interim Financial Statements
Three-month and nine-month periods ended April 30, 2018 and 2017

Condensed Interim Financial Statements

CANADIAN METALS INC.

Condensed Interim Statements of Financial Position

As at April 30, 2018 and July 31, 2017

(in Canadian dollars)

	Note	April 30 2018	July 31 2017
		$	$
Assets			
Current assets:			
Cash and cash equivalents	5	4,155,812	334,630
Other receivables	6	127,885	56,640
Prepaid expenses		11,071	16,969
Total current assets		4,294,768	408,239
Non-current assets:			
Mining properties	7	1,669,008	152,000
Exploration and evaluation assets	8	2,064,887	1,134,604
Total non-current assets		3,733,895	1,286,604
Total assets		8,028,663	1,694,843
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		524,437	149,866
Other liability related to flow-through financings		-	23,309
Current portion of convertible debentures	9	697,629	626,704
Total current liabilities		1,222,066	799,879
Non-current liabilities:			
Convertible debentures	9	586,409	334,388
Total non-current liabilities		586,409	334,388
Total liabilities		1,808,475	1,134,267
Equity:			
Share capital	10	8,010,059	3,197,247
Warrants	10	1,532,105	506,451
Share options	11	498,766	500,627
Equity component of the convertible debentures	9	421,142	258,707
Contributed surplus		1,118,692	617,706
Deficit		(5,360,576)	(4,520,162)
Total equity		6,220,188	560,576
Total liabilities and equity		8,028,663	1,694,843

Nature of operations and going concern, see Note 2.

The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on June 19 2018.

(S) Stéphane Leblanc
Director

(S) Michel Gagnon
Director

CANADIAN METALS INC.
Condensed Interim Statements of Comprehensive Loss
Three-month and nine-month periods ended April 30, 2018 and 2017
(in Canadian dollars)

		Three-month period ended		Nine-month period ended	
	Note	April 30 2018	April 30 2017	April 30 2018	April 30 2017
		$	$	$	$
General and administrative expenses :					
Management and consulting fees		118,682	112,176	331,620	315,171
Rent and office expenses		11,003	11,764	24,004	31,416
Professional fees		17,675	3,705	60,786	65,414
Registration, listing fees and shareholders information		13,712	6,315	67,891	44,045
Travel and promotion		11,084	23,117	33,432	95,015
Share-based compensation	11	128,125	42,650	146,645	68,738
General exploration expenditures		400	-	452	-
Loss from operating activities		300,681	199,727	664,830	619,799
Finance income		(7)	-	(138)	(45)
Finance expense	12	70,249	55,035	199,031	133,425
Total net finance expense		70,242	55,035	198,893	133,380
Loss before income taxes		370,923	254,762	863,723	753,179
Deferred income tax recovery		-	(3,605)	(23,309)	(3,605)
Net loss and comprehensive loss		370,923	251,157	840,414	749,574
Weighted average number of common shares outstanding		99,304,239	44,756,822	68,164,838	42,249,935
Basic and diluted loss per share		0.004	0.006	0.012	0.018

The accompanying notes are an integral part of these financial statements.

CANADIAN METALS INC.

Condensed Interim Statements of Changes in Equity

Nine-month periods ended April 30, 2018 and 2017

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Equity component of the convertible debentures	Contributed surplus	Deficit	Total equity
			$	$	$	$	$	$	$
Balance as at July 31 2017		46,499,481	3,197,247	506,451	500,627	258,707	617,706	(4,520,162)	560,576
Shares issued:									
Private placements	10	55,280,482	3,714,063	1,281,957					4,996,020
As payment of mining properties	10	11,000,000	1,315,000						1,315,000
As a settlement of interest payment on the debentures	10	793,939	65,500						65,500
Share issuance costs			(281,751)						(281,751)
Warrants issued to brokers				96,177					96,177
Convertible debentures issued						162,435			162,435
Warrants expired				(352,480)			352,480		-
Share options expired					(148,506)		148,506		-
Share-based compensation					146,645				146,645
Transactions with owners		67,074,421	4,812,812	1,025,654	(1,861)	162,435	500,986	-	6,500,026
Net loss and comprehensive loss for the period								(840,414)	(840,414)
Balance as at April 30 2018		113,573,902	8,010,059	1,532,105	498,766	421,142	1,118,692	(5,360,576)	6,220,188
Balance as at July 31 2016		40,680,082	2,663,943	473,770	501,456	77,640	465,735	(3,667,756)	514,788
Shares issued:									
Private placements		2,369,998	242,386	113,114					355,500
Private placements net of a liability of flow-through shares of $49,800		1,660,000	199,200						199,200
As payment of expenses	10	100,000	20,000						20,000
Share issuance costs			(28,782)						(28,782)
Warrants issued to brokers				1,971					1,971
Convertible debentures issued						255,329			255,329
Share options expired					(54,239)		54,239		-
Share-based compensation	11				68,738				68,738
Transactions with owners		4,129,998	432,804	115,085	14,499	255,329	54,239	-	871,956
Net loss and comprehensive loss for the period								(749,574)	(749,574)
Balance as at April 30 2017		44,810,080	3,096,747	588,855	515,955	332,969	519,974	(4,417,330)	637,170

The accompanying notes are an integral part of these financial statements.

CANADIAN METALS INC.
Condensed Interim Statements of Cash Flows
Three-month and nine-month periods ended April 30, 2018 and 2017
(in Canadian dollars)

	Three-month period ended		Nine-month period ended	
	April 30 2018	April 30 2017	April 30 2018	April 30 2017
	$	$	$	$
Operating activities:				
Net loss	(370,923)	(251,157)	(840,414)	(749,574)
Adjustments for:				
Expenses paid through issuance of shares	-	-	-	20,000
Share-based compensation	128,125	42,650	146,645	68,738
Effective interest costs on convertible debentures	70,660	54,772	196,753	132,171
Deferred income tax recovery	-	(3,605)	(23,309)	(3,605)
Operating activities before changes in working capital items	(172,138)	(157,340)	(520,325)	(532,270)
Change in other receivables	(77,676)	7,991	(85,540)	12,443
Change in prepaid expenses	6,058	7,770	5,898	12,619
Change in trade accounts payable and accrued liabilities	16,273	(106,716)	5,582	(72,555)
	(55,345)	(90,955)	(74,060)	(47,493)
Cash flows used for operating activities	(227,483)	(248,295)	(594,385)	(579,763)
Financing activities:				
Proceeds from convertible debenture issued	400,000	-	400,000	600,000
Convertible debentures issuance costs	(26,700)	-	(26,700)	(47,083)
Proceeds from issuance of shares	2,530,000	355,500	4,996,020	604,500
Share issuance costs	(120,428)	-	(210,767)	(33,130)
Cash flows from financing activities	2,782,872	355,500	5,158,553	1,124,287
Investing activities:				
Mining tax received	-	-	568	-
Tax credit related to resources received	-	-	13,727	-
Government grant applied against exploration and evaluation assets	100,000	-	100,000	-
Acquisition of mining properties	(202,008)	-	(202,008)	-
Increase in exploration and evaluation assets	(403,748)	(104,442)	(655,273)	(161,752)
Cash flows used for investing activities	(505,756)	(104,442)	(742,986)	(161,752)
Net change in cash and cash equivalents	2,049,633	2,763	3,821,182	382,772
Cash and cash equivalents, beginning of period	2,106,179	581,010	334,630	201,001
Cash and cash equivalents, end of period	4,155,812	583,773	4,155,812	583,773

Additional disclosures of cash flows information (Note 13).

The accompanying notes are an integral part of these financial statements.

1. Reporting entity:

Canadian Metals Inc. (the “Company” or “Canadian Metals” or “CME”) is a company domiciled in Canada. Canadian Metals was incorporated on August 17, 2012 under the *Québec Business Corporations Act.* Canadian Metals is a public company listed on the Canadian Securities Exchange (“CSE”) and its trading symbol is “CME”.

The Company's head office, which is also the main establishment is located at 1801 McGill College Avenue, suite 950, Montréal, Québec, Canada, H3A 2N4 and its web site is www.canadianmetalsinc.com.

The Company specializes in the acquisition, exploration and evaluation of mineral properties. The Company is focused on the exploration and the development of its Langis Project, a high-purity silica deposit located in Matane area, and looks for opportunities to acquire new mining properties.

2. Nature of operations and going concern:

The accompanying financial statements have been prepared on the basis of the on going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the nine-month period ended April 30, 2018, the Company recorded a net loss of $840,414 ($749,574 in 2017) and has an accumulated deficit of $5,360,576 as at April 30, 2018 ($4,520,162 as at July 31, 2017). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at April 30, 2018, the Company had a working capital of $3,072,702 (negative working capital of ($391,640) as at July 31, 2017) consisting of cash and cash equivalents of $4,155,812 ($334,630 as at July 31, 2017). Management believes that these funds will be sufficient to meet the obligations and liabilities of the Company for the next 12 months. However, the continued losses combined with the uncertainties of obtaining sufficient funding to meet the Company’s obligation past the next 12 months cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. During the period ended April 30, 2018, the Company has raised $5,396,020 from private placements consisting of common shares, flow-through shares and convertible debentures ($1,214,500 during the year ended July 31, 2017 from private placements consisting of common shares, flow-through shares and convertible debentures) to fund exploration works and working capital. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

3. Basis of preparation:

3.1 Statement of compliance:

These unaudited and unreviewed condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”) in accordance with IAS 34, Interim Financial Reporting.

Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements of the Company and the notes thereto for the year ended July 31, 2017.

3.2 Basis of measurement:

These unaudited and unreviewed condensed interim financial statements have been prepared on the historical cost basis.

3. Basis of preparation (continued):

3.3 Functional and presentation currency:

These unaudited and unreviewed condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

3.4 Use of estimates and judgements:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in the annual audited financial statements of the Company as at July 31, 2017.

4. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended July 31, 2017.

4.1 Adoption of new accounting standards:

The Company did not adopt any new standards, amendments to standards and interpretations during the nine-month period ended April 30, 2018.

4.2 New standards, interpretations and amendments issued but not yet effective:

Since the issuance of the Company's audited financial statements for the year ended July 31, 2017, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

5. Cash and cash equivalents:

	April 30 2018	**July 31 2017**
	$	**$**
Cash	4,155,812	324,130
Cash in trust	-	10,500
	4,155,812	334,630

Funds reserved for E&E expenditures

On December 29, 2016, the Company completed a flow-through private placement of $249,000. The Company had until December 31, 2017 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at December 31, 2017, the Company fulfilled its obligation by incurring an amount of $249,000 in exploration and evaluation expenditures on or before December 31, 2017.

On December 28 and 29, 2017, the Company completed a flow-through private placement of $683,520. The Company has until December 31, 2018 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at April 30, 2018, the Company has the obligation to incur an amount of $651,876 in exploration and evaluation expenditures until December 31, 2018.

There is no guarantee that the Company's exploration and evaluation expenditures will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

(in Canadian dollars)

6. Other receivables:

	April 30 2018	July 31 2017
	$	$
Sales tax receivable	127,885	42,345
Tax credits receivable and mining tax receivable	-	14,295
	127,885	56,640

7. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31 2017	Acquisition	Disposition	Impairment	April 30 2018
	%	$	$	$	$	$
Québec:						
Langis (1)	100	152,000	-	-	-	152,000
Lac La Chesnaye (2)	100	-	427,500	-	-	427,500
Chisholm Brook (3)	100	-	47,500	-	-	47,500
Blackshale (4)	100	-	478,446	-	-	478,446
Mountain Brook (4)	100	-	407,994	-	-	407,994
TV Tower (4)	100	-	155,568	-	-	155,568
		152,000	1,517,008	-	-	1,669,008

	Interest	July 31 2016	Acquisition	Disposition	Impairment	July 31 2017
	%	$	$	$	$	$
Québec:						
Langis (1)	100	152,000	-	-	-	152,000
		152,000	-	-	-	152,000

1) Langis Property (silica):

On September 16, 2013, the Company acquired from a private company controlled by an officer and director of the Company, the mining rights on the Langis property located in Matane area (Québec) for a consideration of 2.5 million warrants, estimated at $152,000 at the signing of the agreement and 3% of a Net Smelter Return ("NSR") on mining claims in the event of commercial production of a deposit on the property. The Company was committed, on or before August 1, 2014, to appoint a firm of qualified consultants to conduct an environmental study and a preliminary economic assessment of the property. The economic evaluation report was to be made available within six months following the date of the mandate and the environmental study report but no later than twelve (12) months following the date on which the mandate was given. The Company had to appoint a qualified firm to conduct a feasibility study on the property or engineering report within six months of receipt of the preliminary economic assessment report that was to be completed and filed no later than twelve (12) months following the date on which the mandate was given. Finally, the Company had to obtain the necessary permits, including an operating lease to carry out exploration and exploitation work on the property; in the event of termination of the agreement or non-compliance of the obligations mentioned above, the Company had agreed to pay an amount of $200,000 as a penalty. No monetary consideration was paid to the seller in connection with this acquisition. Because the agreement was not respected, an amount of $200,000 was paid by the Company during the year ended July 31, 2015 and was recorded in general exploration expenditures.

2) Lac La Chesnaye Property (silica):

On November 12, 2017, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 9 claims located in the Lac La Chesnaye Property (Québec) from SiO_2 Canada Ltd. by issuing 4,500,000 common shares and granting a 1.5% NSR Royalty to 21ALPHA Resources inc., a related of SiO_2 Canada Ltd. The Company shall have the right to purchase 50% of the NSR at any time by paying $1,000,000 to 21ALPHA Resources inc. On November 24 2017, Canadian Metals issued 4,500,000 common shares at a fair value of $0.095 for a total value of $427,500 as payment for the acquisition of 9 claims.

(in Canadian dollars)

7. Mining properties (continued):

3) Chisholm Brook Property (silica):

On November 12, 2017, the Company entered into a mineral property purchase agreement to acquire 100% interest in one claim located in the Chisholm Brook Property (New Brunswick) from SiO_2 Canada Ltd. by issuing 500,000 common shares. On November 24 2017, Canadian Metals issued 500,000 common shares at a fair value of $0.095 for a total value of $47,500 as payment for the acquisition of the claim.

4) TV Tower Property, Mountain Brook Property and Blackshale Property (zinc):

On March 16, 2018, the Company entered into an option agreement with NBZINC Inc., which one of the shareholders is a company controlled by an officer and a director of the Company, to acquire an undivided 100% interest in the three following properties located in New Brunswick : TV Tower, Mountain Brook and Blackshale properties. The Blackshale property is composed of 163 claims covering approximately 3,557 hectares, the Mountain Brook property is composed of 139 claims covering approximately 3,048 hectares and the TV Tower property is composed in 53 claims covering approximately 1,157 hectares. The claims are subject to a 2% NSR.

To earn its 100% interest, the Company must make cash payments, issue common shares and incur exploration expenses in the following timelines:

	Cash payments	Shares	Exploration expenses
	$		$
On March 16, 2018	200,000 (1)	6,000,000 (2)	-
On or before October 15, 2018	-	-	300,000
On or before November 1, 2018	200,000	5,000,000	-
On or before November 1, 2019	-	5,000,000	-
	400,000	16,000,000	300,000

(1) This cash payment was made on March 16, 2018. ($50,000 for the company controlled by an officer and director of the Company).

(2) These common shares were issued on March 16, 2018 at a $0.14 per share for a consideration of $840,000 (1,500,000 common shares issued for a consideration of $210,000 to a company controlled by an officer and director of the Company).

The Company shall be required to make a payment of US$4,000,000 for each of the three properties for which it has acquired 100% of undivided interests, provided that the Company has made a public disclosure of a mineral resource estimate of 1,000,000 ounces of gold or gold-equivalent resources in the aggregate and in any and all categories for such property, for a total possible maximum payment of US$12,000,000 for all three properties.

8. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	April 30 2018	July 31 2017
	$	$
Exploration and evaluation costs:		
Drilling	50,932	127,057
Geology	97,394	5,400
Technical Reports	733,313	108,576
Environment	34,888	89,899
Supervision	13,756	18,431
	930,283	349,363
Other items:		
Tax credit related to resources and mining tax	-	31,557
	-	31,557
Balance at the beginning	1,134,604	753,684
Balance at the end	2,064,887	1,134,604

(in Canadian dollars)

8. Exploration and evaluation assets (continued):

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2017	Exploration costs	Tax credits and mining tax	Disposition	Impairment	April 30 2018
	$	$	$	$	$	$
Québec:						
Langis	1,134,604	867,561	-	-	-	2,002,165
Lac La Chesnaye	-	62,722	-	-	-	62,722
	1,134,604	930,283	-	-	-	2,064,887

	July 31 2016	Exploration costs	Tax credits and mining tax	Disposition	Impairment	July 31 2017
	$	$	$	$	$	$
Québec:						
Langis	753,684	349,363	31,557	-	-	1,134,604
	753,684	349,363	31,557	-	-	1,134,604

9. Convertible debentures:

	April 30 2018	July 31 2017
	$	$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in July 2018. [a]	697,629	626,704
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. [b]	387,988	334,388
Convertible debentures (3)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	198,421	-
	1,284,038	961,092
Current portion of convertible debentures	697,629	626,704
Non-current portion of convertible debentures	586,409	334,388

(a) Debentures (1) from related parties:

	April 30 2018	July 31 2017
	$	$
Director	14,949	13,429
Company under control of a director	4,983	-
Companies under control of an officer and director	44,847	40,288
	64,779	53,717

(in Canadian dollars)

9. Convertible debentures (continued):

(b) Debentures (2) from related parties:

	April 30 2018	July 31 2017
	$	$
Directors	11,793	16,446
Officer and a director	2,948	-
Officers	-	10,964
Companies under control of a director	18,280	11,512
Companies under control of an officer and director	14,742	13,705
	47,763	52,627

Convertible debentures (1)

On July 27, 2015, the Company completed a convertible debentures financing of $700,000. The maturity of the convertible debentures is three years (June 30, 2018) and bear interest at 10% per year. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. As per an amendment to the subscription agreement signed on June 15, 2017, the Company has the option to pay interest in cash or in shares for the second and third year. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of 0.05$.

A commission of 8.5% of the amount was paid in cash for a total amount of $ 94,271. Of this amount, $80,008 was recorded as a reduction of liabilities and $14,263 as a reduction of equity. In addition, a number of 175,000 warrants representing 5% of the investment were granted to brokers. Each warrant entitled the holder to subscribe to one common share at an exercise price of $0.20 per share. They expired on July 27, 2017. The value of the warrants was estimated at $11,308 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	0.13$
Expected volatility (1)	100.00%
Risk-free interest rate	0.41%
Expected life	2.0 years

(1) The volatility was determined in comparison with the volatility of comparable publicly traded companies.

For purposes of determining the fair value of the liability component, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As the issuance, the equity component was $106,211 and is presented net of income tax in the amount of $28,571.

Convertible debentures (2)

On December 12, 2016, the Company completed a convertible debentures financing of $610,000. The maturity of the convertible debentures is four years (December 31, 2020) and bear interest at 10% per year. At the conversion date, both the capital and unpaid interest is convertible using a conversion price of $0,20. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. The second, third and fourth year, interest will be paid in cash or shares. If a minimum of 66.6% of the debentures holders (in terms of amounts of dollars) vote in favor of either a payment in cash or shares, the Company will pay all debentures holders the same way. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of 0.05$.

Commission of 4.0% to 8.5% of the amount and legal fees were paid in cash for a total amount of $ 52,241. Of this amount, $28,241 was recorded as a reduction of liabilities and $24,000 as a reduction of equity. In addition, a number of 25,950 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until December 12, 2018. These warrants were recorded at a value of $1,971 using the Black-Scholes option pricing model under the assumptions described below (note 10 (c)). Of this amount, $1,066 was recorded as a reduction of liabilities and $905 as a reduction of equity.

(in Canadian dollars)

9. Convertible debentures (continued):

Convertible debentures (2) (continued)

For purposes of determining the fair value of the liability component, an effective interest rate of 28.43% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As the issuance, the equity component was $280,234 and is presented net of income tax in the amount of $74,262.

Convertible debentures (3)

On March 20, 2018, the Company completed a convertible debentures financing of $400,000. The maturity of the convertible debentures is approximately five years (December 31, 2022) and bear interest at 10% per year. At the conversion date, both the capital and unpaid interest is convertible using a conversion price of $0,20. Interest is payable on June 30 and December 31 of each year. The Company has the option to pay interest in cash or in shares. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of 0.05$.

Commission of 5.0% of the amount and legal fees were paid in cash for a total amount of $ 26,700. Of this amount, $14,453 was recorded as a reduction of liabilities and $12,247 as a reduction of equity. In addition, a number of 290,910 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until March 20, 2020. These warrants were recorded at a value of $19,172 using the Black-Scholes option pricing model under the assumptions described below (note 10 (c)). Of this amount, $10,378 was recorded as a reduction of liabilities and $8,794 as a reduction of equity.

For purposes of determining the fair value of the liability component, an effective interest rate of 29.93% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As the issuance, the equity component was $183,476.

10. Share capital and warrants:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value. The share capital comprises only of fully paid common shares.

(b) Issued and outstanding:

	Number	**Amount**
		$
Balance as at July 31, 2016	40,680,082	2,663,943
Issued for cash:		
Private placement (common shares)	2,369,998	237,400
Private placement (flow-through shares)	1,660,000	175,404
Issued as payment of expenses	100,000	20,000
Issued as a settlement of interest payment on the debentures	1,689,401	100,500
Balance as at July 31, 2017	46,499,481	3,197,247

	Number	**Amount**
		$
Balance as at July 31, 2017	46,499,481	3,197,247
Issued for cash:		
Private placement (common shares)	49,066,666	2,881,818
Private placement (flow-through shares)	6,213,816	550,494
Issued as payment of mining properties acquisition	11,000,000	1,315,000
Issued as a settlement of interest payment on the debentures	793,939	65,500
Balance as at April 30, 2018	113,573,902	8,010,059

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2018:

On October 16, 2017, the Company concluded a private placement by issuing 1,201,667 units at a price of $0.075 per unit for net proceeds of $86,340 after deducting share issuance costs of $3,785. A commission of $1,500 was paid in connection with this transaction. Each unit consists of one common share and one-half warrant for a total of 1,201,667 common shares and 600,834 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until April 16, 2019. These warrants have been recorded at a value of $15,590 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 20,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.15 per share until April 16, 2019. These warrants have been recorded at a value of $586 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,371 including the fair value of the broker warrants of $586.

On November 24 2017, as per the mineral property purchase agreement of November 12, 2017 (Note 8), the Company issued 5,000,000 common shares at a fair value of $0.095 for a total value of $475,000 as payment for the acquisition of 9 claims of Lac La Chesnaye Property located in Québec and one claim of Chisholm Brook Property located in New-Brunswick.

On December 12, 2017, the Company concluded a private placement by issuing 5,208,333 units at a price of $0.075 per unit for net proceeds of $389,177 after deducting share issuance costs of $1,448. No commission was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 5,208,333 common shares and 5,208,333 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until December 12, 2019. These warrants have been recorded at a value of $152,461 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On December 28, 2017, the Company concluded a private placement by issuing 3,363,636 flow-through common shares at a price of $0.11 per share for net proceeds of $326,624 after deducting share issuance costs of $43,376. A commission of $29,600 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 269,091 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.15 per share until December 28, 2019. These warrants have been recorded at a value of $36,898 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $80,274 including the fair value of the broker warrants of $36,898. No liability related to flow-through shares has been recorded based on the residual value method.

On December 29, 2017, the Company concluded a private placement by issuing 2,850,180 flow-through common shares at a price of $0.11 per share for net proceeds of $283,857 after deducting share issuance costs of $29,663. A commission of $20,093 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 182,665 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.15 per share until December 29, 2019. These warrants have been recorded at a value of $23,314 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $52,977 including the fair value of the broker warrants of $23,314. No liability related to flow-through shares has been recorded based on the residual value method.

As at December 31, 2017, following the issuance of 6,213,816 flow-through common shares on December 28 and 29, 2017, the Company has the obligation to incur $683,520 in exploration expenditures no later than December 31, 2018. As at April 30, 2018, the Company incurred $31,644 in eligible exploration and therefore had the obligation to incur $651,876 in exploration expenditures.

On December 29, 2017, the Company concluded a private placement by issuing 350,000 units at a price of $0.075 per unit for net proceeds of $24,412 after deducting share issuance costs of $1,838. A commission of $1,838 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 350,000 common shares and 350,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until December 29, 2019. These warrants have been recorded at a value of $11,071 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 24,500 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.15 per share until December 29, 2019. These warrants have been recorded at a value of $3,127 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,965 including the fair value of the broker warrants of $3,127.

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2018 (continued):

On December 29, 2017, the Company issued 793,939 common shares for interests payable of $65,500 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
424,242 common shares issued for interests of $35,000 payable on December 31, 2017

Convertible debentures (2)
369,697 common shares issued for interests of $30,500 payable on December 31, 2017.

On January 19, 2018, the Company concluded a private placement by issuing 17,006,666 units at a price of $0.075 per unit for net proceeds of $1,258,682 after deducting share issuance costs of $16,818. A commission of $10,050 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 17,006,666 common shares and 17,006,666 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until January 19, 2020. These warrants have been recorded at a value of $523,984 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placements, the Company also issued a total of 134,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.15 per share until January 19, 2020. These warrants have been recorded at a value of $13.080 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $29,898 including the fair value of the broker warrants of $13,080.

On March 13, 2018, the Company concluded a private placement by issuing 25,300,000 units at a price of $0.10 per unit for net proceeds of $2,421,957 after deducting share issuance costs of $108,043. A commission of $101,500 was paid in connection with this transaction. Each unit consists of one common share and one-half warrant for a total of 25,300,000 common shares and 12,650,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until March 13, 2020. These warrants have been recorded at a value of $578,851 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On March 16, 2018, as per the mineral property purchase agreement of March 16, 2018 (Note 8), the Company issued 6,000,000 common shares at a fair value of $0.14 for a total value of $840,000 as the first timeline scheduled as per the agreement for the acquisition of 100% undivided interest in TV Tower, Mountain Brook and Blackshale properties, all located in New-Brunswick.

2017:

On October 31, 2016, the Company issued to a service provider 100,000 common shares valued at $20,000 for promotion fees.

On December 29, 2016, the Company concluded a private placement by issuing 1,660,000 flow-through common shares at a price of $0.15 per share for net proceeds of $225,204 after deducting share issuance costs of $23,796. A liability related to flow-through shares has been recorded at a value of $49,800 based on the residual value method. As at December 31, 2016, The Company had the obligation to incur $249,000 in exploration expenditures no later than December 31, 2017. As at December 31, 2017, the Company incurred $249,000 in eligible exploration expenditures and therefore fulfilled its obligation by incurring $249,000 in exploration expenditures.

On February 3, 2017, the Company concluded a private placement by issuing 2,369,998 units at a price of $0.15 per unit for net proceeds of $350,514 after deducting share issuance costs of $4,986. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 2,369,998 common shares and 2,369,998 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.20 until February 3, 2018. These warrants have been recorded at a value of $113,114 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On July 3, 2017, the Company issued 1,689,401 common shares for interests payable of $100,500 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
58 654 common shares issued remaining on the interests paid on January 8, 2016
16 187 common shares issued remaining on the interests paid on July 25, 2016
328 022 common shares issued for interests of $35,000 payable on December 31, 2016
700,000 common shares issued for interests of $35,000 payable on June 30, 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2017 (continued):

Convertible debentures (2)
586,538 common shares issued for interests of $30,500 payable on June 30, 2017.

(c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

	April 30 2018		July 31 2017	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	8,929,282	0.21	8,149,000	0.22
Granted	36,736,999	0.15	2,395,948	0.20
Expired	(6,403,332)	(0.23)	(1,615,666)	(0.24)
Outstanding at end	39,262,949	0.15	8,929,282	0.21

The following table provides outstanding warrants information as at April 30, 2018:

	Outstanding warrants		
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
September 15, 2018	2,500,000	0.15	0.4
December 12, 2018	25,950	0.20	0.6
April 16, 2019	620,834	0.15	1.0
December 12, 2019	5,208,333	0.15	1.6
December 28, 2019	269,091	0.15	1.7
December 29, 2019	557,165	0.15	1.7
January 19, 2020	17,140,666	0.15	1.7
March 13, 2020	12,650,000	0.15	1.9
March 20, 2020	290,910	0.15	1.9
	39,262,949	0.15	1.7

The following table provides outstanding warrants information as at July 31, 2017:

	Outstanding warrants		
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
October 6, 2017	3,433,335	0.25	0.2
October 15, 2017	599,999	0.25	0.2
February 3, 2018	2,369,998	0.20	0.5
September 15, 2018	2,500,000	0.15	1.1
December 12, 2018	25,950	0.20	1.4
	8,929,282	0.21	0.5

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2018:

On October 16, 2017, the Company issued 600,834 warrants to shareholders who subscribed to 1,201,667 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until April 16, 2019. The value of the warrants was estimated at $15,590 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.07
Expected volatility (1)	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

As part of the private placement financing on October 16, 2017, the Company issued 20,000 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until April 16, 2019. The value of the warrants was estimated at $586 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.07
Expected volatility (1)	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

On December 12, 2017, the Company issued 5,208,333 warrants to shareholders who subscribed to 5,208,333 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 12, 2019. The value of the warrants was estimated at $152,461 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.085
Expected volatility (1)	152.86%
Risk-free interest rate	1.52%
Expected life	2.0 years

As part of the flow-through private placement financing on December 28, 2017, the Company issued 269,091 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 28, 2019. The value of the warrants was estimated at $36,898 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.18
Expected volatility (1)	157.27%
Risk-free interest rate	1.69%
Expected life	2.0 years

On December 29, 2017, the Company issued 350,000 warrants to shareholders who subscribed to 350,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 29, 2019. The value of the warrants was estimated at $11,071 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.175
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

As part of the flow-through private placement financing on December 29, 2017, the Company issued 182,665 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 29, 2019. The value of the warrants was estimated at $23,314 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.175
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

As part of the private placement financing on December 29, 2017, the Company issued 24,500 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until December 29, 2019. The value of the warrants was estimated at $3,127 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.175
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

On January 19, 2018, the Company issued 17,006,666 warrants to shareholders who subscribed to 17,006,666 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until January 19, 2020. The value of the warrants was estimated at $523,984 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.14
Expected volatility (1)	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

As part of the private placement financing on January 19, 2018, the Company issued 134,000 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until January 19, 2020. The value of the warrants was estimated at $13,080 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.14
Expected volatility (1)	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

On March 13, 2018, the Company issued 15,650,000 warrants to shareholders who subscribed to 25,300,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until March 13, 2020. The value of the warrants was estimated at $578,851 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.105
Expected volatility (1)	132.46%
Risk-free interest rate	1.79%
Expected life	2.0 years

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

As part of the debentures financing on March 20, 2018 (Note 9), the Company issued 290,910 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until March 20, 2020. The value of the warrants was estimated at $19,172 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.11
Expected volatility (1)	131.77%
Risk-free interest rate	1.81%
Expected life	2.0 years

2017:

As part of the debentures financing in December 2016 (Note 10), the Company issued 25,950 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until December 12, 2018. The value of the warrants was estimated at $1,971 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.125
Expected volatility (1)	141.53%
Risk-free interest rate	0.76%
Expected life	2.0 years

On February 3, 2017, the Company issued 2,369,998 warrants to shareholders who subscribed to 2,369,998 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until February 3, 2018. The value of the warrants was estimated at $113,114 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.10
Expected volatility (1)	170.75%
Risk-free interest rate	0.77%
Expected life	1.0 year

(1) The volatility was determined by reference to historical data of the Company shares.

11. Share-based compensation:

(a) Share option plan:

The Company has a share option plan whereby the Board of Directors, may grant to directors, officers, employees and consultants of the Company, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions relating to the granting of options. The maximum number of shares that can be issued under the share-based compensation plan is 10% of the Company's shares issued at the time of the option grant, with a vesting period of up to eighteen months at the directors' discretion. All share-based compensation shall be settled in equity instruments. The number of share options granted to a beneficiary are determined by the Board of Directors.

The exercise price of any option granted under the Plan is determined by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised under the plan terms when a beneficiary who is a director, officer, employee or consultant of the Company ceases to occupy his functions, according to the terms of the Company's share-based compensation plan.

The options granted during the nine-month period ended April 30, 2018 and during the year ended July 31, 2017 were issued at a price higher or equal to the closing price the day before the grant.

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

		April 30 2018		July 31 2017
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		$		$
Outstanding at beginning	3,905,000	0.16	4,080,000	0.15
Granted	1,650,000	0.12	625,000	0.14
Forfeited	(680,000)	(0.26)	(800,000)	(0.11)
Outstanding at end	4,875,000	0.13	3,905,000	0.16
Exercisable at end	4,875,000	0.13	3,905,000	0.16

The following table provides outstanding share options information as at April 30, 2018:

				Share options outstanding
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
July 22, 2018	200,000	200,000	0.19	0.2
October 2, 2018	400,000	400,000	0.12	0.4
February 25, 2020	450,000	450,000	0.10	1.8
June 12, 2020	200,000	200,000	0.17	2.1
February 26, 2021	1,150,000	1,150,000	0.10	2.8
May 7, 2021	200,000	200,000	0.37	3.0
June 20, 2021	125,000	125,000	0.26	3.1
February 21, 2022	500,000	500,000	0.105	3.8
October 3, 2022	400,000	400,000	0.075	4.4
February 5, 2023	1,250,000	1,250,000	0.140	4.8
	4,875,000	4,875,000	0.13	3.1

The following table provides outstanding warrants information as at July 31, 2017:

				Share options outstanding
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
July 22, 2018	200,000	200,000	0.19	1.0
October 2, 2018	400,000	400,000	0.12	1.2
April 8, 2019	80,000	80,000	0.14	1.7
February 25, 2020	450,000	450,000	0.10	2.6
June 12, 2020	200,000	200,000	0.17	2.9
February 26, 2021	1,350,000	1,350,000	0.10	3.6
May 7, 2021	600,000	600,000	0.37	3.8
June 20, 2021	125,000	125,000	0.26	3.9
February 21, 2022	500,000	500,000	0.105	4.6
	3,905,000	3,905,000	0.16	3.2

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

2018:

On October 2, 2017, the Company granted 400,000 share options to directors. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.075 per share and expire on October 2, 2022. The fair value of the options was estimated at $18,520 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.06
Expected volatility [(1)]	111.37%
Risk-free interest rate	1.78%
Expected life	5.0 years

On February 5, 2018, the Company granted 1,250,000 share options to officers, directors and a consultant. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.14 per share and expire on February 5, 2023. The fair value of the options was estimated at $128,125 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.13
Expected volatility [(1)]	110.99%
Risk-free interest rate	2.08%
Expected life	5.0 years

2017:

On August 1, 2016, the Company granted 125,000 share options to a director. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.26 per share and expire on June 20, 2021. The fair value of the options was estimated at $26,088 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.260
Expected volatility [(1)]	114.43%
Risk-free interest rate	0.66%
Expected life	5.0 years

On February 21, 2017, the Company granted 500,000 share options to an officer and consultants. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.105 per share and expire on February 21, 2022. The fair value of the options was estimated at $42,650 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.105
Expected volatility [(1)]	116.37%
Risk-free interest rate	1.17%
Expected life	5.0 years

(1) The volatility was determined in comparison with the volatility of comparable publicly traded companies.

For the nine-month period ended April 30, 2018, the share-based compensation recognized in the statement of comprehensive loss is $146,645 ($68,738 for the nine-month period ended April 30, 2017).

(in Canadian dollars)

12. Finance expense:

Finance expense recognized in the net loss of the year is as follows:

	Three-month period ended		Nine-month period ended	
	April 30 2018	April 30 2017	April 30 2018	April 30 2017
	$	$	$	$
Bank charges	83	149	491	685
Fines and penalties	-	-	38	-
Interest on convertible debentures	70,660	54,772	196,753	132,171
Tax related to flow-through shares	-	-	1,296	-
Exchange loss	(494)	114	453	569
Finance expense	70,249	55,035	199,031	133,425

13. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	Three-month period ended		Nine-month period ended	
	April 30 2018	April 30 2017	April 30 2018	April 30 2017
	$	$	$	$
Non-cash financing activities:				
Convertible debentures issuance costs in trade accounts payable and accrued liabilities	-	5,158	-	5,158
Convertible debentures issuance costs paid through the issuance of warrants	19,172	-	19,172	1,971
Share issuance costs in trade accounts payable and accrued liabilities	104	6,125	104	6,125
Non-cash investing activities:				
Exploration and evaluation assets in trade accounts payable and accrued liabilities	472,294	35,916	472,294	35,916

14. Related party transactions:

Related parties include the Company's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	Three-month period ended		Nine-month period ended	
	April 30 2018	April 30 2017	April 30 2018	April 30 2017
	$	$	$	$
Management and consulting fees	107,100	96,750	293,100	290,250
Share-based compensation	112,750	42,650	131,270	60,208
	219,850	139,400	424,370	350,458

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other transactions:

For the three-month and nine-month periods ended April 30, 2018, no legal fees were charged by a company in which a director is a partner ($Nil and $7,105 for the three-month and nine-month periods respectively ended April 30, 2017). There were no trade accounts and other payables as at April 30, 2018 ($11,310 as at July 31, 2017) due to this related party.

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(in Canadian dollars)

15. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the statements of financial position related to the following classes of assets and liabilities:

		April 30 2018		July 31 2017
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets				
Loans and receivables				
Cash and cash equivalents	4,155,812	4,155,812	334,630	334,630
Other receivables (1)	-	-	-	-
	4,155,812	4,155,812	334,630	334,630
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts payable and accrued liabilities	524,437	524,437	149,866	149,866
Convertible debentures	1,284,038	1,284,038	961,092	961,092
	1,808,475	1,808,475	1,110,958	1,110,958

(1) Excluding sales tax receivable, tax credits receivable and mining tax receivable.

The fair value of cash and cash equivalents, other receivables, trade accounts and accrued liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The convertible debentures were classified under level 2 in 2018 and 2017.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years. The fair value of the convertible debentures was determined by discounting the future cash flows using an interest rate estimated to reflect a rate that the Company would have obtained for similar financings without the conversion option.

16. Capital management policies and procedures:

The Company's capital management objectives are:

- to ensure the Company’s ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity and convertible debentures. Capital for the reporting periods are presented in the statement of changes in equity.

(in Canadian dollars)

16. Capital management policies and procedures (continued):

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which the amount should be used for exploration work. On December 29, 2016, the Company completed a flow-through private placement of $249,000. As at December 31, 2017, the Company fulfilled its obligation by incurring $249,000 in eligible exploration and evaluation expenditures until December 31, 2017. On December 28 and 29, 2017, the Company completed a flow-through private placement of $683,520. As at April 30, 2018, the Company incurred $31,644 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of $651,876 in exploration expenditures no later than December 31, 2018 in order to comply with the requirements of flow-through private placement.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and convertible debentures. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

	April 30 2018	**July 31 2017**
	$	**$**
Convertible debentures	1,284,038	961,092
Equity	6,220,188	560,576
	7,504,226	1,521,668

17. Financial Instrument Risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

(a) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company’s maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

Credit risk of cash and cash equivalents is considered negligible, since the counterparty is a reputable bank with excellent external credit rating.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past and during the year, the Company has financed its acquisitions of mining rights, exploration costs and working capital needs through private financings (issuance of shares and convertible debentures in 2017). Management estimates that the cash and cash equivalents as at April 30, 2018 will be sufficient to meet the Company's needs for cash for the next 12 months.

(in Canadian dollars)

17. Financial Instrument Risks (continued):

(b) Liquidity risk (continued):

Contractual maturities of financial liabilities (including capital and interest) are as follows:

				April 30 2018
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	$	$	$
Trade accounts payable and accrued liabilities	524,437	-	-	524,437
Convertible debentures (1)	770,000	-	-	770,000
Convertible debentures (2)	61,000	732,000	-	793,000
Convertible debentures (3)	31,178	560,000	-	591,178
	1,386,615	1,292,000	-	2,678,615

				July 31 2017
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	$	$	$
Trade accounts payable and accrued liabilities	149,866	-	-	149,866
Convertible debentures (1)	770,000	-	-	770,000
Convertible debentures (2)	61,000	762,500	-	823,500
	980,866	762,500	-	1,743,366